



UNIVERSITY OF NORTH CAROLINA WILMINGTON
FINANCIAL REPORT 2006-2007



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A Letter of Transmittal

To: Chancellor Rosemary DePaolo and the
Board of Trustees of the University of North Carolina Wilmington

I am pleased to present the 2007 Financial Report for the University of North Carolina Wilmington. The report contains the Statement of Net Assets; the Statement of Revenues, Expenditures and Changes in Net Assets; The Statement of Cash Flows; and the Component Unit Statements. Supplemental information includes the letter of transmittal, the management discussion and analysis, footnotes, a listing of the university's Board of Trustees, university's Officers and Deans, and other information. Each statement is explained in further detail in the management discussion and analysis. We believe that the information within this financial report is accurate in all respects and fairly presents the university's financial position. We believe that our system of internal controls is sound and sufficient to disclose any material deficiencies to the auditors and audit committee.

Each basic financial statement is prepared in accordance with generally accepted accounting principles in the United States of America through the Governmental Accounting Standards Board (GASB). The financial reports include the university financial statement as well as The Donald R. Watson Foundation Inc., a blended component unit. Although legally separate, the UNCW Corporation is reported as a discretely presented component unit based on the nature and significance of its relationship to the university. The UNCW Corporation and its associated Limited Liability Corporations (LLC) were established to enhance the educational mission of the university. The UNCW Corporation includes the Housing I LLC, the Housing II LLC, Pepys One LLC, Oleander One LLC, and Research I LLC.


The university continued to receive state appropriation for enrollment growth totaling \$6.3 million and 40 new faculty positions. In addition the state provided salary increases of 6 percent for faculty and administrators and 5.5 percent for SPA employees. This increase in state appropriation has allowed the University of North Carolina Wilmington to expand the core functions of teaching, research and public service as well as support our student, technology, and institutional service functions. During the year, Dr. Debra Saunders-White was named vice chancellor for Information Technology Services Division. Ms. Kelly Mehrrens was named athletic director.

The university continues to see the expansion of its facilities through the completion of the new Computer Information Systems building, and Seahawk Landing apartment complex, as well as the completion of the renovation of Hoggard Hall, Kenan Auditorium, and James Hall. Renovations are near complete or under way in the University Union, Burney Center, Friday Hall, and Kenan Hall. The new CMS Operations Building is near completion. Planning for the new Nursing building is continuing. The construction and renovations are supported through the state bond referendum approved in 2000, legislative approval for the Nursing building, student fees, and receipts.

Other information includes trend data for the university's fall student applications, number of students accepted, and the number of freshman students enrolled; fall student headcount and student FTE, continuing increases in SAT scores; state appropriations compared to tuition and fees, and state appropriation per student FTE.

In conjunction with the UNC System, the University of North Carolina Wilmington established a planned implementation of the SCT Banner administrative system. Banner, an enterprise system, replaces the SCT PLUS integrated administrative system. The university has now fully implemented the four main system modules: Finance, Advancement, Student, and Human Resources (including payroll). Along with the four main system modules, the university has implemented Banner Endowment Management and is in the process of implementing Banner Contract and Grant Invoicing and Accounts Receivable module. With the implementation of a new administrative system, the Division of Business Affairs ensures the establishment and maintenance of an effective system of internal controls. The basic objectives of the internal controls are to ensure an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and to ensure that transactions are executed in accordance with appropriate authorization and recorded properly in the financial records to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald J. Core". The signature is fluid and cursive, with the first name "Ronald" being more prominent than the last name "Core".

Ronald J. Core

Vice Chancellor for Business Affairs

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Management's Discussion and Analysis

Financial Analysis

The University of North Carolina Wilmington provides the following management's discussion and analysis (MD&A) as an overview of the financial activities for the fiscal year ending June 30, 2007. The preceding transmittal letter and the following financial statements and footnotes comprise our complete set of financial information. The MD&A identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the previous year is presented to help better understand the financial information.

Using the Financial Statements

The university's financial report includes three basic comprehensive financial statements that depict the financial activity and fiscal condition of the university for the current year: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles. The accrual basis of accounting has been used to prepare the statements. This method of accounting requires that revenues and assets are recognized when the service is provided. Expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged.

The Statement of Net Assets includes all university assets and liabilities. The university's net assets (the monetary difference between total assets and total liabilities) are one indicator of the university's financial viability. Over time, changes in net assets provide information on the improvement or erosion of the university's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the fiscal year. Financial activities are reported as either operating or non-operating. GASB Statement No. 35 classifies state appropriations and gifts as non-operating revenues. With state appropriations and gifts being classified as non-operating revenues, most public institutions will report an operating deficit.

Another important factor to consider when evaluating the financial viability of the university is the ability to meet financial obligations as they mature. The Statement of Cash Flows presents information that allows the reader to evaluate the university's ability to meet its financial obligations on a current basis.

Financial Highlights

For the first time in many years, the State was able to meet fiduciary commitments without imposing budget reductions on the universities. The result was the university's general fund budgets growing by 16.4 percent from June 30, 2006 to June 30, 2007. A large portion of the increase was associated with enrollment growth, which totaled \$6.3 million and 40 new faculty positions. In addition the state provided salary increases of 6 percent for faculty and administrators and 5.5 percent for SPA employees. These increases totaled nearly \$5.0 million. Still one of the lowest funded institutions (state appropriation per student FTE) in the UNC-system, the university will use the additional funds to meet strategic goals and priorities set by the institution in the long-range planning.

Capital projects continued to move ahead on campus. The largest construction projects completed during the year were the Cultural Arts building at \$31.2 million and the Computer and Information Systems building at \$11.9 million. Ongoing projects include the renovations of the University Union and Burney Center, Friday Hall, and Kenan Hall and the completion of the CMS Operations building.

Along with the opening of Seahawk Village in 2006, Seahawk Landing is the second apartment style complex completed this year on the university campus. Seahawk Landing provides additional two, three, and four bedroom completely furnished apartments with both clubhouse and pool amenities. The completion of the project resulted in the university signing a capital lease for \$38 million with the UNCW Corporation.

In 2007, the combined University and Foundation Endowment was \$53.1 million. Gifts were \$3,414,000. Appreciation and investment income amounted to \$6,317,000 with other withdrawals, including spendable income, in the amount of \$3,032,000.

Statement of Net Assets

The Statement of Net Assets presents the assets (current and non current), liabilities (current and non current), and net assets (total assets minus total liabilities) of the university. This statement provides a fiscal snapshot of the University's financial position as of June 30, 2007. The data provides readers of this statement information on assets available to continue operations; amounts due vendors, investors, and lending institutions; and the net assets available for expenditure by the university.

Condensed Statement of Net Assets June 30, as Indicated

	2007	2006	Change	% Change
Assets				
Current Assets	\$ 67,026,548	\$ 56,835,434	\$ 10,191,114	17.9%
Noncurrent Assets	454,849,651	341,120,100	113,729,551	33.3%
Total Assets	521,876,199	397,955,534	123,920,665	31.1%
Liabilities				
Current Liabilities	26,939,077	25,823,036	1,116,041	4.3%
Noncurrent Liabilities	151,576,498	102,509,587	49,066,911	47.9%
Total liabilities	178,515,575	128,332,623	50,182,952	39.1%
Net Assets				
Invested in Capital Asset	189,381,760	175,047,776	14,333,984	8.2%
Restricted Nonexpendable	42,874,293	32,487,015	10,387,278	32.0%
Restricted Expendable	71,930,720	33,195,893	38,734,827	116.7%
Unrestricted	39,173,851	28,892,228	10,281,623	35.6%
Total Net Assets	\$ 343,360,624	\$ 269,622,912	\$ 73,737,712	27.3%

On June 30, 2007 total university assets were \$521.8 million. The largest asset categories include the university's investment in capital assets (\$189.4 million), cash and cash equivalents (\$107.3 million) and the endowment (\$53.1 million). The \$53.1 million in endowment investments was made up of the University Endowment of \$49.8 million and the Foundation Endowments of \$3.3 million. The noncurrent assets increased by \$50.9 millions this year for several reasons. First is the increase in capital improvement funds of \$31.6 million mainly to fund the new Nursing building. The other large increase is \$13.7 million in the endowment due to gifts and increase in market value. University liabilities totaled \$178.5 million on June 30, 2007. Long-term debt of \$145 million consisting of bonds payable, notes payable, and capitalized lease obligations, is the largest liability category. Total liabilities increased \$50.2 million from June 30, 2006 primarily due to an increase in capital leases. This increase was due to the fact that the university now leases apartments on campus from the UNCW Corporation. The restricted expendable assets increased by \$38.7 million due mainly to the \$27.0 million capital appropriation for the Nursing building which was unspent at year end.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets section are based on the activity reported in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, as well as any other revenues, expenses, gains and losses received or expended by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the university. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the university. Non-operating revenues are revenues received for which goods and services are not provided; i.e., state appropriations and investment income. Non-operating expenses include interest expense, extraordinary items, and accounting changes/corrections, i.e., expenses not involved in the normal operations of the university.

Condensed Statement of Revenues, Expenditures and Changes in Net Assets For Year Ended June 30, as Indicated

	2007	2006	Change	% Change
Operating Revenue				
Tuition and Fees (Net)	\$ 62,750,863	\$ 55,290,336	\$ 7,460,527	13.5%
Sales and Services (Net)	34,592,654	23,565,510	11,027,144	46.8%
Grants and Contracts	21,816,999	21,382,118	434,881	2.0%
Other	2,175,139	3,414,815	(1,239,676)	-36.3%
Total Operating Revenue	121,335,655	103,652,779	17,682,876	17.1%
Operating Expenses				
Salaries and Benefits	124,872,738	110,449,815	14,422,923	13.1%
Supplies and Materials	21,630,086	16,395,409	5,234,677	31.9%
Services	39,932,526	33,069,918	6,862,608	20.8%
Scholarships	7,141,196	6,663,908	477,288	7.2%
Utilities	7,298,372	6,639,617	658,755	9.9%
Depreciation	9,655,488	7,077,205	2,578,283	36.4%
Total Operating Expense	210,530,406	180,295,872	30,234,534	16.8%
Operating Income (Loss)	(89,194,751)	(76,643,093)	(12,551,658)	16.4%
Non-operating Revenues (Expenses)				
State Appropriation	91,843,298	81,638,044	10,205,254	12.5%
Capital Gifts and Grants	54,405,614	24,581,395	29,824,219	121.3%
Non-capital Gifts and Grants	3,184,753	6,063,007	(2,878,254)	-47.5%
Other	13,498,798	4,555,801	8,942,997	196.3%
Total Non-operating Revenues	162,932,463	116,838,247	46,094,216	39.5%
Increase in Net Assets	73,737,712	40,195,154	33,542,558	83.4%
Net Assets Beginning of Year	269,622,912	229,427,758	40,195,154	17.5%
Net Assets End of Year	\$ 343,360,624	\$ 269,622,912	\$ 73,737,712	27.3%

Student tuition and fees (\$62.7 million) and sales and services from auxiliary enterprises (\$34.6 million) account for 80.2% of the university's operating revenue. The increase in sales and services of \$11.0 is from the revenues for the new apartments (Seahawk Village) and associated food revenue. The \$29.8 million increase in capital gifts and grants is due to the \$27.0 million increase in capital appropriations for the Nursing building. Per GASB No.35, state appropriations must be reported as non-operating revenue even though this revenue source covers operating expenses.

The major operating expense categories include salary and benefit payments to faculty and staff (\$124.8 million) and payments to vendors and suppliers for services and goods (\$39.9 million).

Component Units Reported Using Discrete Presentation

The university evaluates all of the affiliated organizations to determine which groups should be presented as a component unit. Currently the university has one component unit that must be reported discretely in the financial statements. The component unit of the university continued to grow with the UNCW Corporation leasing student apartments to the housing system on campus. In the summer of 2007, the second apartment complex was completed and turned over to the university. Other projects of the corporation are purchasing parking areas and other property which may be used in the university. The UNCW Corporation issued notes and bonds to finance these projects.

Total Net Assets

	2007	2006	Change
Asset and Liabilities:			
Total Assets	\$ 77,475,903	\$ 77,691,092	\$ (215,189)
Total Liabilities	77,638,558	77,693,597	(55,039)
Total Net Assets	\$ (162,655)	\$ (2,505)	\$ (160,150)
Net Assets:			
Unrestricted	\$ -	\$ -	\$ -
Temporarily Restricted	(162,655)	(2,505)	(160,150)
Total Net Assets	\$ (162,655)	\$ (2,505)	\$ (160,150)

Unrestricted net assets have no external restrictions and are expendable. Temporarily restricted assets are also expendable but have a restriction on how they may be spent.

Changes in Net Assets

	2007	2006	Change
Total Revenues	\$ 1,286,492	\$ 285,718	\$ 1,000,774
Total Expenses	1,446,642	293,936	1,152,706
Net Decrease	(160,150)	(8,218)	(151,932)
Net Assets - Beginning of Year	(2,505)	5,713	(8,218)
Net Assets - End of Year	\$ (162,655)	\$ (2,505)	\$ (160,150)

Investment income on bond proceeds contributed to the large increase in revenues; while the large increase in expense is related to accrued construction expense.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. The Statement of Cash Flows also helps users assess the university's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Need for external financing

Condensed Statement of Cash Flows For Year Ended June 30, as Indicated

	2007	2006	Change	% Change
Cash Provided by:				
Operating Activities	\$ (77,931,704)	\$ (69,847,560)	\$ (8,084,144)	12%
Non-capital Financing Activities	100,753,297	84,152,990	16,600,307	20%
Capital Financing Activities	22,146,663	(21,745,108)	43,891,771	-202%
Investing Activities	(3,926,500)	(1,663,614)	(2,262,886)	136%
Net Change in Cash	41,041,756	(9,103,292)	50,145,048	-551%
Cash Beginning of Year	66,238,043	75,341,335	(9,103,292)	-12%
Cash Ending of Year	\$ 107,279,799	\$ 66,238,043	\$ 41,041,756	62%

Major sources of funds included in operating activities are student tuition and fees (\$62.6 million), auxiliary enterprises (\$30.5 million), and contracts and grants (\$22.1 million).

Major uses of funds in operating activities are compensation to employees (\$123.1 million) and payments to suppliers for goods and services (\$65.8 million).

The largest inflow of cash in the non-capital financing activities is the State of North Carolina appropriation of \$91.8 million. The new accounting standards require the university to reflect this source of revenue as non-operating even though the university's budget depends on these funds to continue the current level of operations. Other non-capital financing activity includes gifts received (\$5.9 million).

Cash provided by capital financing activities during fiscal year 2007 includes capital grants from the State of North Carolina of \$20.6 million, bond proceeds of \$20.1 and capital appropriation of \$27.0 million. Cash used in capital financing activities during fiscal year 2007 was primarily for the acquisition of capital assets (\$36.6 million) and the repayment of debt (\$9.9 million). This large increase in revenues resulted in the capital financing activity going from (\$21.7) million to \$22.1 million.

Capital Asset and Debt Administration

Capital Assets

The university had \$334.4 million invested in capital assets at year end. This represents an increase of \$62.8 million from 2006. This increase is comprised of a \$81.9 million increase in buildings which are the result of addition of the Seahawk Landing apartments, Cultural Arts and Computer Information System buildings. The decreases in construction in progress are due mainly to the same three building being completed and occupied.

Capital Assets Net of Depreciation June 30, as Indicated

	2007	2006	Change
Land	\$ 5,225,871	\$ 4,990,910	\$ 234,961
Art, Literature and Artifacts	1,278,971	1,219,578	59,393
Construction in Progress	46,956,800	70,000,194	(23,043,394)
Building	254,741,639	172,852,094	81,889,545
Machinery and Equipment	10,713,356	9,803,523	909,833
Infrastructure	15,482,707	12,716,377	2,766,330
Total Capital Assets	\$ 334,399,344	\$ 271,582,676	\$ 62,816,668

Capital projects scheduled for completion in 2007-2008 are the renovations of the University Union and Burney Center, Friday Hall, and Kenan Hall. Also, the new CMS Operations building will be completed during the 2007-2008 fiscal year.

More detailed information on the university's capital assets is presented in note 5 to the financial statements.

Debt

As of June 30, 2007 the university has \$145.0 million in outstanding bonds, notes and capital leases, of which \$73.6 million is for outstanding bonds. Through public/private agreement the university is leasing the new student apartments from the UNCW Corporation. There have been no significant changes in credit ratings or debt limitations that would affect future financing for the university.

More detailed information on the university's long-term obligations is presented in note 7 to the financial statements.

Economic Forecast

The university believes it is well positioned to continue and maintain its strong financial condition and level of excellence in service to students, the community, and other constituencies. The university's strong financial position should provide a high degree of flexibility in obtaining debt funds on competitive terms. This flexibility, along with the university's ongoing efforts toward revenue diversification and cost containment, will enable the university to provide the necessary resources to support a continued level of excellence well into the future. The university will continue to execute its long-range strategic goals and expand teaching and research facilities to address the issues of growth and the continuing effects of technology on teaching and research methodologies.

A crucial element to the university's future will continue to be the relationship with the State of North Carolina and its ability to fund higher education. There is a direct relationship between the growth of state support and the university's ability to control increases in tuition rates.

Gifts are an important supplement in meeting the goals and strategic plans of the university, and are also a significant factor in the growth and quality of academic units. The continued success in fund raising will enhance the level of opportunity for students.

The university will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the university's operations from temporary market volatility.

Contacting the University's Financial Management

This financial report is designed to provide our students, citizens, investors and creditors with a general overview of the university's finances and demonstrate accountability of all funds received. Additional financial information may be obtained by contacting the Division of Business Affairs at (910) 962-3067.

Statement of Net Assets

June 30, 2007

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 51,136,451
Restricted Cash and Cash Equivalents	7,457,755
Receivables, Net (Note 4)	7,018,185
Inventories	330,036
Notes Receivable, Net (Note 4)	1,084,121

Total Current Assets	67,026,548
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	48,685,592
Receivables, Net (Note 4)	366,456
Restricted Due from Primary Government	6,731,995
Endowment Investments	53,109,782
Other Investments	7,418,927
Notes Receivable, Net (Note 4)	3,670,898
Deferred Charges	466,657
Capital Assets - Nondepreciable (Note 5)	53,461,642
Capital Assets - Depreciable, Net (Note 5)	280,937,702

Total Noncurrent Assets	454,849,651
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Total Assets	\$ 521,876,199
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Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	\$ 9,338,047
Deposits Payable	324
Unearned Revenue	2,961,915
Interest Payable	1,626,290
Long-Term Liabilities - Current Portion (Note 7)	13,012,501

Total Current Liabilities	26,939,077
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Noncurrent Liabilities:

Deposits Payable	26,733
Funds Held for Others	7,330,644
U.S. Government Grants Refundable	4,488,970
Long-Term Liabilities (Note 7)	139,730,151

Total Noncurrent Liabilities	151,576,498
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Total Liabilities	\$ 178,515,575
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Statement of Net Assets

June 30, 2007

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	189,381,760
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		22,956,195
Research		1,333,005
Endowed Professorships		7,925,566
Departmental Uses		4,943,922
Loans		1,163,499
Other		4,552,105
Expendable:		
Scholarships and Fellowships		2,569,615
Research		2,548,915
Endowed Professorships		326,712
Departmental Uses		8,621,427
Loans		320,627
Capital Projects		51,589,742
Debt Service		5,953,682
Unrestricted		39,173,852
Total Net Assets	\$	343,360,624

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Assets

For the Fiscal Year Ended June 30, 2007

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 62,750,863
Federal Grants and Contracts	18,956,521
State and Local Grants and Contracts	2,040,616
Nongovernmental Grants and Contracts	819,863
Sales and Services, Net (Note 9)	34,592,654
Interest Earnings on Loans	17,038
Other Operating Revenues	2,158,100

Total Operating Revenues	121,335,655
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EXPENSES

Operating Expenses:

Salaries and Benefits	124,872,738
Supplies and Materials	21,630,086
Services	39,932,526
Scholarships and Fellowships	7,141,196
Utilities	7,298,372
Depreciation	9,655,488

Total Operating Expenses	210,530,406
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Operating Loss	(89,194,751)
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	91,843,298
Noncapital Grants	611,858
Noncapital Gifts, Net (Note 9)	2,572,895
Investment Income (Net of Investment Expense of \$133,210)	10,961,665
Interest and Fees on Debt	(3,702,966)
Gain on Sale of Property and Equipment	2,826,282

Net Nonoperating Revenues	105,113,032
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Income Before Other Revenues, Expenses, Gains, or Losses	15,918,281
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Capital Appropriations	29,971,400
Capital Grants	23,657,324
Capital Gifts, Net (Note 9)	776,891
Additions to Endowments	3,413,816

Increase (Decrease) in Net Assets	73,737,712
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NET ASSETS

Net Assets - July 1, 2006	269,622,912
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Net Assets - June 30, 2007	\$ 343,360,624
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The accompanying notes to the financial statements are an integral part of this statement.

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Student Tuition and Fees, Net	\$ 62,589,630
Auxiliary Enterprise Charges	30,516,780
Contracts and Grants	22,109,090
Payments to Employees for Services	(123,095,684)
Payments to Vendors and Suppliers	(65,796,121)
Payments for Scholarships and Fellowships	(7,141,196)
Loans Issued to Students	(1,054,093)
Collection of Loans to Students	1,190,431
Interest Earned on Loans	(3,658)
Other Receipts (Payments)	2,753,117

Net Cash Used by Operating Activities	(77,931,704)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	91,843,298
Grants for Other than Capital Purposes	611,858
Gifts	2,546,920
Additions to Endowments	3,413,816
Related Activity Agency Transactions	2,337,406

Net Cash Provided by Noncapital Financing Activities	100,753,297
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	20,156,318
Capital State Appropriations	27,000,000
Capital Grants	20,648,700
Capital Gifts	785,054
Proceeds from Sale of Capital Assets	3,326,944
Acquisition and Construction of Capital Assets	(36,340,279)
Principal Paid on Capital Debt	(9,963,632)
Interest Paid on Capital Debt	(3,497,365)
Other Receipts (Payments)	30,923

Net Cash Provided by Capital and Related Financing Activities	22,146,663
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CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	4,446,396
Purchase of Investments	(12,118,002)
Interest on Investments	3,745,106

Net Cash Provided by Investing Activities	(3,926,500)
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Net Increase in Cash and Cash Equivalents	41,041,756
Cash and Cash Equivalents - July 1, 2006	66,238,043

Cash and Cash Equivalents - June 30, 2007	\$ 107,279,799
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Statement of Cash Flows

For the Fiscal Year Ended June 30, 2007

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (89,194,751)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Noncash Items:	
Depreciation Expense	9,655,486
Federal Contracts and Grants Revenue (U.S. Grants Refundable)	21,276
Changes in Assets and Liabilities:	
Receivables (Net)	696,138
Inventories	(53,491)
Accounts Payable and Accrued Liabilities	1,428,408
Deferred Revenue	(600,412)
Note Principal Repayments	1,209,398
Notes Issued	(1,093,756)
	<u>(77,931,704)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	51,136,451
Restricted Cash and Cash Equivalents	7,457,756
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	48,685,592
Total Cash and Cash Equivalents - June 30, 2007	<u>\$ 107,279,799</u>

Component Unit

Statement of Financial Position

June 30, 2007

	UNCW Corporation
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ 53,718
Investments	3,753,088
Lease Receivables	69,106,079
Deferred Charges	1,396,525
Other Assets	2,844
Property and Equipment, Net	3,163,649
	<hr/>
Total Assets	\$ 77,475,903
	<hr/>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 1,656,077
Due to University and Other Foundations	142,313
Notes Payable	7,500,000
Bonds Payable	68,340,168
	<hr/>
Total Liabilities	\$ 77,638,558
	<hr/>
NET ASSETS	
Temporarily Restricted	(162,655)
	<hr/>
Total Net Assets	\$ (162,655)
	<hr/> <hr/>

The accompanying notes to the financial statements are an integral part of this statement.

Component Unit

Statement of Activities

For the Fiscal Year Ended June 30, 2007

	UNCW Corporation
Revenues and Gains:	
Lease Income	\$ 792,262
Income on Long-Term Investments	1,782
Rental Income	465,663
Other	26,785
	<hr/>
Total Unrestricted Revenues and Gains	1,286,492
Expenses and Losses:	
Salaries and Benefits	44,994
Contracted Services	51,508
Interest Expense	1,128,784
Other Expenses	221,356
	<hr/>
Total Expenses	1,446,642
	<hr/>
Changes in Net Deficit	(160,150)
	<hr/>
Net Deficit:	
Beginning	(2,505)
Ending	\$ (162,655)
	<hr/> <hr/>

Notes to the Financial Statements

NOTE I – SIGNIFICANT ACCOUNTING POLICIES

- A. **Financial Reporting Entity** – The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. University of North Carolina Wilmington is a constituent institution of the 17-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the university and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the university's funds. The university's component units are either blended or discretely presented in the university's financial statements. The blended component units, although legally separate, are, in substance, part of the university's operations and therefore, are reported as if they were part of the university. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Blended Component Unit – Although legally separate, The Donald R. Watson Foundation, Inc. is a component unit of the university and is reported as if it is part of the university.

The Foundation is governed by a five member board consisting of two ex officio directors and three elected directors. The Foundation's purpose is to aid, support and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the university. Because the elected directors of the Foundation are appointed by the members of the University of North Carolina Wilmington Board of Trustees and the Foundation's sole purpose is to benefit selected organizations including the university, its financial statements have been blended with those of the university.

Separate financial statements for the Foundation and the Investment Fund may be obtained from the University Controller's Office, 601 S. College Rd. Wilmington, NC 28403, or by calling (910) 962-3144. Other related foundations and similar nonprofit corporations for which the university is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Units – The UNCW Corporation Inc. is legally separate not-for-profit corporations and is reported as discretely presented component units based on the nature and significance of their relationship to the university.

The UNCW Corporation, Inc. is a legally separate, tax-exempt component unit of the university. The Corporation board consists of five. The Corporation was organized to enhance the University of North Carolina Wilmington educational mission, including overseeing and assisting in the acquisition and financing of capital assets for the university. The UNCW Corporation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the university's financial reporting entity for these differences.

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- B. Basis of Presentation** – The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the full scope of the university’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the university does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** – The financial statements of the university have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the university receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, savings accounts, money market accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Investments** – This classification includes long-term fixed income investments, repurchase agreements, equity investments, mutual funds, money market funds, certificates of deposit, limited partnerships, real estate investment trusts, real estate, and other asset holdings by the university. Except for money market funds, certificates of deposit, real estate not held by a governmental external investment pool, and other asset holdings, investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Money market funds, certificates of deposit, real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased or at fair value or appraised value at date of gift, if donated.

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- F. Receivables** – Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories, consisting of expendable supplies, are valued at cost using first-in, first-out, last invoice cost, or average cost method.
- H. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The university capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 2 to 25 years for equipment. The Randall Library Special Collection is capitalized at cost or fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

- I. Restricted Assets** – Unexpended proceeds of revenue bonds and unexpended capital contributions are classified as restricted assets because their use is limited by applicable bond covenants or donor/grantor agreements. These assets are also classified as noncurrent since they cannot be used for current operations. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include principal amounts of bonds payable, notes payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refunds. The university amortizes bond premiums/discounts over the life of the bonds using the straight-line. The deferred losses on refunds are amortized over the life of the new debt using the straight-line method. Issuance costs are amortized over the life of the bonds using straight-line method.

- K. Compensated Absences** – The university's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the university has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

L. Net Assets – The university’s net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the university’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets – Nonexpendable – Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets – Expendable – Expendable restricted net assets include resources for which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the university. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

M. Scholarship Discounts – Student tuition and fees revenues and certain other revenues from university charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the university and the amount that is paid by students or by third parties on the students’ behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the university has recorded a scholarship discount.

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- N. Revenue and Expense Recognition** – The university classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the university’s principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, State and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the university, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- O. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to university departments, as well as to its customers. These institutional auxiliary operations include activities such as copy centers, motor pools, postal services and telecommunications. In addition, the university has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to university departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** – Unless specifically exempt, the university is required by *North Carolina General Statute* 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. In addition, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, requires the university to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, with the State Treasurer. Although specifically exempted, the university may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the university.

At June 30, 2007, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$104,034,375 which represents the university’s equity position in the State Treasurer’s Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2007. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s Short-Term Investment Fund) are included in the State of North Carolina’s *Comprehensive Annual Financial Report*. An

electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Cash on hand at June 30, 2007 was \$24,950. The carrying amount of the university's deposits not with the State Treasurer, including certificates of deposit, was \$3,220,473 and the bank balance was \$3,265,172. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Pursuant to G.S. 116-36.1, funds received for health care services not deposited with the State Treasurer shall be fully secured in the manner as prescribed by the State Treasurer for the security of public deposits. The university does not have a deposit policy for custodial credit risk. As of June 30, 2007, the university's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 3,165,172
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B. Investments

University – The university is authorized by The University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina, to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; time deposits of specified institutions; prime quality commercial paper, and asset-backed securities with specified ratings. Also, G.S. 147-69.1(c) authorizes the following: specified bills of exchange or time drafts and corporate bonds and notes with specified ratings. G.S. 147-69.2 authorizes the following: general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal. G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the university's component unit(s), [the Foundation and Investment Fund,] are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The university utilizes investment pools to manage investments and distribute investment income.

Investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the university may face should interest rate variances affect the fair value of investments. The university does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university does not have a formal policy that addresses credit risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university does not have a formal policy for custodial credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The university does not have a formal policy for foreign currency risk.

Long-Term Investment Pool – This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unitized method. Under this method, each participating fund's investment balance is determined on the current market value per unit multiplied by the number of units purchased. The investment strategy, including the selection of investment managers, is based on the directives of the university's Endowment Board.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2007, for the Long-Term Investment Pool.

Long-Term Investment Pool

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Mutual Bond Funds	\$ 5,555,151	\$ 3,322,699	\$ 2,157,726	\$ 74,726
Money Market Mutual Funds	5,581,734	5,581,734		
	<u>\$ 11,136,885</u>	<u>\$ 8,904,433</u>	<u>\$ 2,157,726</u>	<u>\$ 74,726</u>
Other Securities				
UNC Investment Fund	31,997,704			
Domestic Stock	1,000,526			
Other Mutual Funds	6,853,638			
Investments in Real Estate	290,766			
Total Long-Term Investment Pool	<u>\$ 51,279,519</u>			

At June 30, 2007, investments in the Long-Term Investment Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	Unrated
Mutual Bond Funds	\$ 5,555,151	\$ 76,554	\$ 5,163,621	\$ 34,532	\$ 280,444
Money Market Mutual Funds	5,581,734	5,581,734			

Rating Agency: Moodys

Non-Pooled Investments – The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2007, for the university's non-pooled investments.

Non-Pooled Investments

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities			
U.S. Treasuries	\$ 1,098,932	\$ 1,060,000	\$ 38,932
Repurchase Agreements	671,930	671,930	
Mutual Bond Funds	72,721	972,721	
Money Market Mutual Funds	2,800,061	2,800,061	
Domestic Corporate Bonds	7,012	7,012	
	5,550,656	\$ 5,511,724	\$ 38,932
Other Securities			
Domestic Stock	8,530		
Other Mutual Funds	982,539		
Investments in Real Estate	2,404,516		
Foreign Mutual Funds	302,949		
Total Non-Pooled Investments	\$ 9,249,190		

At June 30, 2007, the university's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa
Mutual Bond Funds	\$ 972,721	\$ 972,721	
Domestic Corporate Bonds	7,012		7,012
	\$ 979,733	\$ 972,721	\$ 7,012
Rating Agency: Moodys			

At June 30, 2007, the university's non-pooled investments were exposed to custodial credit risk as follows:

Investment Type	Held by Counterparty
Domestic Stocks	\$ 1,009,057
Domestic Bonds	7,012
Total	<u>\$ 1,016,069</u>

Total Investments – The following table presents the fair value of the total investments at June 30, 2007:

Total Investments

Investment Type	Fair Value
Debt Securities	
U.S. Treasuries	\$ 1,098,932
Repurchase Agreements	671,930
Mutual Bond Funds	6,491,684
Money Market Funds	8,381,796
Domestic Corporate Bonds	7,012
Other Securities	
UNC Investment Fund	32,001,039
Other Mutual Funds	8,139,126
Investments in Real Estate	2,695,281
Domestic Stocks	1,009,057
Other	32,852
Total Investments	<u>\$ 60,528,709</u>

Component Units – Investments of the university's discretely presented component unit(s), the UNCW Corporation, are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements. Because the Corporation reports under the FASB reporting model, disclosures of the various investment risks are not required. The UNCW Corporation had invested proceeds from bond issuance in the amount of \$3,753,088. This investment is professionally managed by a fiscal agent.

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the university's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds.

Investment return of the university's endowment funds is predicated on the total return concept (yield plus appreciation). When administering its power to spend net appreciation, the Board of Trustees is required to consider the university's long and short term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. The Board of Trustees chooses to spend only a portion of the investment income each year. Under the policy established by the Board, 4.5% of the average market value at the end of the previous three years has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceed investment income. At June 30, 2007, net appreciation of \$1,654,139 was available to be spent, of which \$1,654,139 was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 442,882	\$ 44,701	\$ 398,181
Accounts	1,832,484		1,832,484
Intergovernmental	3,287,440		3,287,440
Pledges	80,406	4,020	76,386
Investment Earnings	1,229,969		1,229,969
Interest on Loans	120,545		120,545
Other	73,180		73,180
Total Current Receivables	\$ 7,066,906	\$ 48,721	\$ 7,018,185
Noncurrent Receivables:			
Pledges	\$ 385,744	\$ 19,288	\$ 366,456
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 1,045,394	\$ 101,743	\$ 943,651
Institutional Student Loan Programs	140,470		140,470
Total Notes Receivable - Current	\$ 1,185,864	\$ 101,743	\$ 1,084,121
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 4,038,752	\$ 403,875	\$ 3,634,877
Institutional Student Loan Programs	36,021		36,021
Total Notes Receivable - Noncurrent	\$ 4,074,773	\$ 403,875	\$ 3,670,898

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2007, is presented as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets, Nondepreciable:				
Land	\$ 4,990,910	\$ 1,699,000	\$ 1,464,039	\$ 5,225,871
Art, Literature, and Artifacts	1,219,577	59,394		1,278,971
Construction in Progress	70,000,194	30,691,525	53,734,919	46,956,800
Total Cap. Assets, Nondepreciable	76,210,681	32,449,919	55,198,958	53,461,642
Capital Assets, Depreciable:				
Buildings	229,460,202	88,775,228	1,115,040	317,120,390
Machinery and Equipment	27,336,609	3,736,021	1,192,789	29,879,841
General Infrastructure	20,642,255	3,249,691	71,155	23,820,791
Total Capital Assets, Depreciable	277,439,066	95,760,940	2,378,984	370,821,022
Less Accumulated Depreciation/Amortization for:				
Buildings	56,608,108	6,573,582	802,937	62,378,753
Machinery and Equipment	17,533,086	2,645,135	1,011,736	19,166,485
General Infrastructure	7,925,877	436,732	24,527	8,338,082
Total Accumulated Depreciation	82,067,071	9,655,449	1,839,200	89,883,320
Total Capital Assets, Depreciable, Net	195,371,995	86,105,491	539,784	280,937,702
Capital Assets, Net	\$ 271,582,676	\$ 118,555,410	\$ 55,738,742	\$ 334,399,344

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2007, were as follows:

	Amount
Accounts Payable	\$ 7,356,707
Accrued Payroll	1,008,518
Contract Retainage	972,822
Total Accounts Payable and Accrued Liabilities	\$ 9,338,047

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities – A summary of changes in the long-term liabilities for the year ended June 30, 2007, is presented as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Revenue Bonds Payable	\$ 62,815,000	\$ 19,400,000	\$ 9,585,000	\$ 72,630,000	\$ 4,240,000
Add/Deduct Premium/Discount	1,253,316	1,093,193	413,999	1,932,510	
Deduct Deferred Charge on Refunding	(627,364)	(336,875)	(69,314)	(894,925)	
Total Bonds	63,440,952	20,156,318	9,929,685	73,667,585	4,240,000
Notes Payable	33,947		33,947	-	
Arbitrage Rebate Payable	20,030		20,030	-	
Capital Leases Payable	33,060,000	38,290,000		71,350,000	8,562,070
Compensated Absences	6,795,370	1,337,665	407,968	7,725,067	210,431
Total Long-Term Liabilities	\$ 103,350,299	\$ 59,783,983	\$ 10,391,630	\$ 152,742,652	\$ 13,012,501

B. Revenue Bonds Payable and Certificates of Participation – The university was indebted for revenue bonds payable and certificates of participation for the purposes shown in the tables:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/07	Principal Outstanding 6/30/07
Dorm and Dining Hall						
Construction Dorm	B	7.5-8.0	1/31/09	\$ 1,400,000	\$ 1,185,000	\$ 215,000
Construction Honors Dorm	J	4.7-5.4	1/31/18	6,440,000	6,440,000	-
Total Dorm and Dining Hall				7,840,000	7,625,000	215,000
PE Construction Trask Colesium						
	B	5.1-5.5	01/01/10	1,140,000	845,000	295,000
Union Refund 1990 General Revenue						
	1997	4.8-5.0	01/01/11	4,300,000	4,300,000	-
Construct Dorm						
	2002A	3.0-5.0	01/01/23	11,500,000	1,625,000	9,875,000
Construct New Union						
	2003A	2.5-5.25	01/01/28	30,000,000	2,390,000	27,610,000
Total General Revenue				41,500,000	4,015,000	37,485,000
The University of North Carolina System Pool Revenue Bonds						
Westside, Parking, Apartments	2002B	4.0-5.0	4/30/22	6,735,000	5,060,000	1,675,000
Refund Series I	2003B	2.0-5.0	4/30/09	5,100,000	3,180,000	1,920,000
Refund Series J and Recreation	2005A	4.0-5.2	4/30/19	12,630,000	990,000	11,640,000
Union Addition, Parking, Refund Series 2002E	2006A	4.0-5.0	10/01/33	19,400,000	-	19,400,000
Total Pooled General Revenue Bonds				43,865,000	9,230,000	34,635,000
Total Bonds Payable and Certificates of Participation (principal only)				\$ 98,645,000	\$ 26,015,000	\$ 72,630,000
Less: Unamortized Loss on Refunding						(894,925)
Plus: Unamortized Premium						1,932,510
Total Bonds Payable and Certificates of Participation						\$ 73,667,585

- C. **Annual Requirements** – The annual requirements to pay principal and interest on the long-term obligations at June 30, 2007, are as follows:

Fiscal Year	Annual Requirements	
	Revenue Bonds Payable	
	Principal	Interest
2008	\$ 4,240,000	\$ 3,338,220
2009	4,405,000	3,194,095
2010	3,450,000	3,006,645
2011	3,470,000	2,869,233
2012	3,110,000	2,733,758
2013-2017	17,805,000	11,429,479
2018-2022	16,815,000	6,944,562
2023-2027	12,815,000	3,298,500
2028-2032	5,070,000	853,506
2033-2037	1,450,000	73,500
Total Requirements	\$ 72,630,000	\$ 37,741,498

- D. **Bond Defeasance** – The university has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

On November 14, 2006 the university issued \$5,790,000 in General Revenue Bonds Series 2006A refunding bonds with an average interest rate of 4.59%. The bonds were issued to advance refund \$5,640,000 of outstanding Union 1997 and Pooled Revenue Bonds 2002A bonds with an average interest rate of 5.31%. The net proceeds of the refunding bonds *[along with other resources]* were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the university's Statement of Net Assets. This advance refunding was undertaken to reduce total debt service payments by \$324,521 over the next 15 years and resulted in an economic gain of \$197,258. At June 30, 2007, the outstanding balance was \$3,870,000 for the defeased General Revenue Bond Series 2002A bonds.

Prior Year Defeasances – During prior years, the university defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the university's financial statements. At June 30, 2007, the outstanding balance of prior year defeased bonds was \$7,195,000.

- E. **Component Units** – The UNCW Corporation had long-term liabilities of bond payable of \$67,000,000 and note payable of \$7,497,813 at June 30, 2007.

NOTE 8 - LEASE OBLIGATIONS

- A. Capital Lease Obligations** – Capital lease obligations relating to \$71,350,000 equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2007:

Fiscal Year	Amount
2008	\$ 8,562,070
2009	4,303,056
2010	4,303,056
2011	4,303,056
2112	4,303,055
2013-2017	21,515,277
2018-2022	21,515,277
2023-2027	21,515,277
2028-2032	21,515,277
2033-2037	19,631,476
2038-2042	2,419,255
Total Minimum Lease Payments	133,886,132
Amount Representing Interest (5.25% Rate of Interest)	62,536,132
Present Value of Future Lease Payments	\$ 71,350,000

- B. Operating Lease Obligations** – The university entered into operating leases for office space, equipment, and dockage. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

Fiscal Year	Amount
2008	\$ 734,106
2009	267,002
2010	250,778
2011	2,731
Total Minimum Lease Payments	\$ 1,254,617

Rental expense for all operating leases during the year was \$758,545.

NOTE 9 - REVENUES

A summary of eliminations and allowances by revenue classification and revenues pledged as security for revenue bonds is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 66,333,476		\$ 3,582,613		\$ 62,750,863
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 10,073,547			\$ 9,959	\$ 10,063,588 (A)
Dining	8,992,019			17,528	8,974,491 (A)
Athletics	1,101,145			10,453	1,090,692 (B)
Parking	1,860,637			1,614	1,859,023
Other	11,912,005	\$ 2,453,078	-	7,778	9,451,149
Sales and Services of Education and Related Activities	3,153,711				3,153,711
Total Sales and Services	\$ 37,093,064	\$ 2,453,078	\$ -	\$ 47,332	\$ 34,592,654
Nonoperating - Noncapital Gifts	\$ 2,596,202	-	-	\$ 23,307	\$ 2,572,895
Capital Gifts	\$ 776,981	-	-	-	\$ 776,981

Revenue Bonds Secured by Pledged Revenues:

(A) Housing and Student Center System

(B) Physical Education System

NOTE 10 - OPERATING EXPENSES BY FUNCTION

The university's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 63,433,674	\$ 3,400,286	\$ 5,514,293	\$ 165,625			\$ 72,513,878
Research	8,611,900	1,340,687	3,775,433	41,123	\$ 18,464		13,787,607
Public Service	1,589,085	184,252	1,103,606	9,519			2,886,462
Academic Support	8,480,979	4,158,351	2,039,886	8,721			14,687,937
Student Services	5,367,536	824,664	2,209,976	5,908			8,408,084
Institutional Support	15,332,828	1,446,637	3,387,002		28		20,166,495
Operations & Maintenance	10,928,238	5,139,387	4,723,978		5,156,488		25,948,091
Student Financial Aid	(7,283)	8	78,592	6,893,703			6,965,020
Auxiliary Enterprises	11,135,781	4,027,799	18,582,487	16,597	1,748,682		35,511,346
Depreciation						\$ 9,655,486	9,655,486
Total Operating Exp.	\$ 124,872,738	\$ 20,522,071	\$ 41,415,253	\$ 7,141,196	\$ 6,923,662	\$ 9,655,486	\$ 210,530,406

NOTE II - PENSION PLANS

- A. **Retirement Plans** – Each permanent full-time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Eligible employees can elect to participate in the Optional Retirement Program at the time of employment, otherwise they are automatically enrolled in the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System is a cost sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2007, these rates were set at 2.66% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2007, the university had a total payroll of \$102,738,721 of which \$49,144,505 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$2,948,670 (A) and \$1,307,243 (B), respectively. The university made 100% of its annual required contributions for the years ended June 30, 2007, 2006, and 2005, which were \$1,307,243, \$1,015,928, and \$894,368, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the university may join the program instead of the Teachers' and State Employees' Retirement System. The Board of Governors of The University of North Carolina is responsible for the administration of the program and designates the companies authorized to offer investment products. The Board has authorized the following carriers: Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance Company, Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participants may elect to allocate their contributions and the university contributions to the carrier of their choice. Each carrier offers a variety of investment funds, including both fixed and variable account investment options and mutual funds.

Participants in the program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2007, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The university assumes no liability other than its contribution.

For the year ended June 30, 2007, the university had a total payroll of \$102,738,721 of which \$40,350,939 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$2,946,670 (C) and \$2,759,386 (D), respectively.

- (A) 6% of TSERS covered payroll
- (B) 2.66% of TSERS covered payroll
- (C) 6% of ORP covered payroll
- (D) 6.84% of ORP covered payroll

B. Deferred Compensation and Supplemental Retirement Income Plans – IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the plan are the responsibility of the plan participants. No costs are incurred by the university. The voluntary contributions by employees amounted to \$333,694 for the year ended June 30, 2007.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the plan participants. No costs are incurred by the university except for a 5% employer contribution for the university's law enforcement officers, which are mandated under General Statute 143-166.30(e). Total employer contributions on behalf of university law enforcement officers for the year ended June 30, 2007, were \$63,365. The voluntary contributions by employees amounted to \$604,153 for the year ended June 30, 2007.

IRC Section 403(b) and 403(b)(7) Plans - Eligible university employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the plan participants. No costs are incurred by the university. The voluntary contributions by employees amounted to \$1,574,596 for the year ended June 30, 2007.

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS

- A. **Health Care for Long-Term Disability Beneficiaries and Retirees** – The university participates in State-administered programs that provide post-employment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The university contributed 3.8% of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program for these health care benefits. For the fiscal year ended June 30, 2007, the university's total contribution to the plan was \$3,399,458. The university assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. **Disability Income** – The university participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The university contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the year ended June 30, 2007, the university's total contribution to the DIPNC was \$465,189. The university assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 13 - RISK MANAGEMENT

The university is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. The university pays the premium, based on a composite rate, directly to the private insurer.

The university is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the university for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the fund are subject to a \$500 per occurrence deductible. All State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses occurring

in-state are \$500,000 per claim and \$5,000,000 per occurrence and out-of-state are \$1,000,000 per claim and \$5,000,000 per occurrence. The university pays premiums to the North Carolina Department of Insurance for the coverage.

The university is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence with a \$75,000 deductible and a 10% participation in each loss above the deductible. The university purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The plan has contracted with third parties to process claims.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the university's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The university is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The university is self-insured for workers' compensation.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Commitments – The university has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts and on other purchases were \$39,417,774 at June 30, 2007.

NOTE 15 - RELATED PARTIES

Foundations – There are three separately incorporated nonprofit foundations associated with the university. These foundations are the University of North Carolina Wilmington Alumni Association, Inc., the Foundation of the University of North Carolina Wilmington, Inc., and the University of North Carolina Wilmington Student Aid Association Inc.

These organizations serve as the primary fundraising arm of the university through which individuals, corporations, and other organizations support university programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the university's overall academic environment. The university's financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the university. This support approximated \$755,294 for the year ended June 30, 2007.

The Board of Trustees and University Officers June 30, 2007

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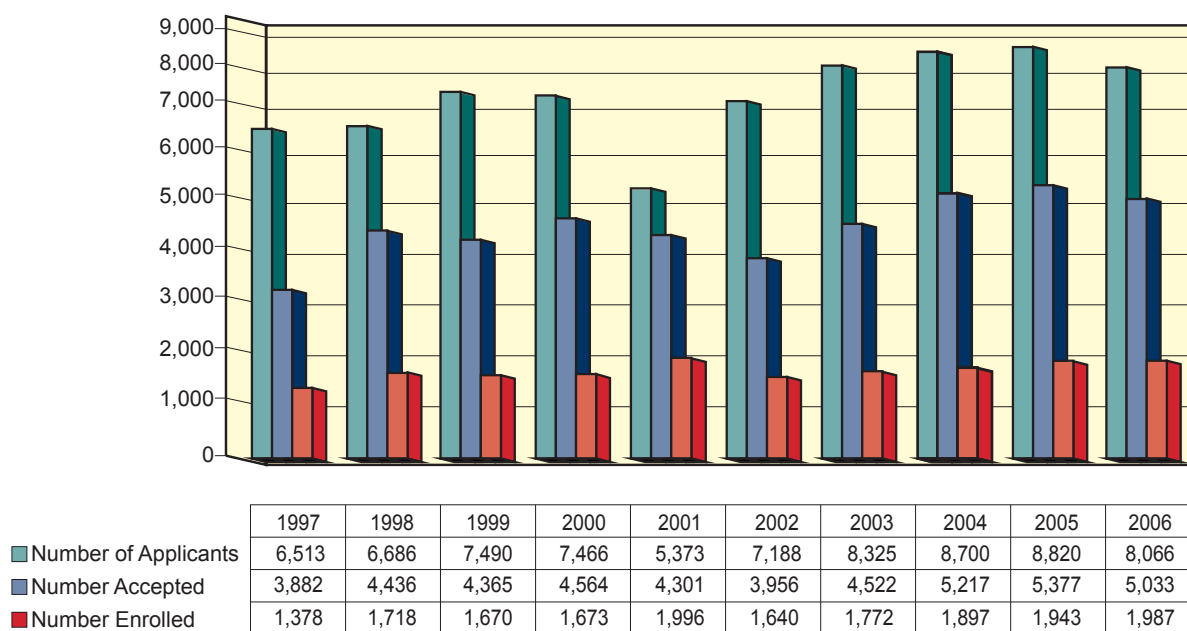
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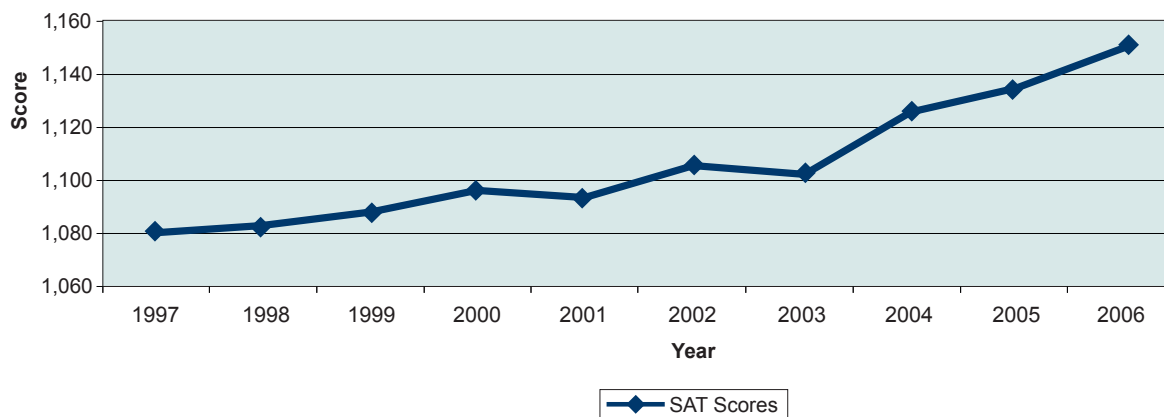
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Other Information

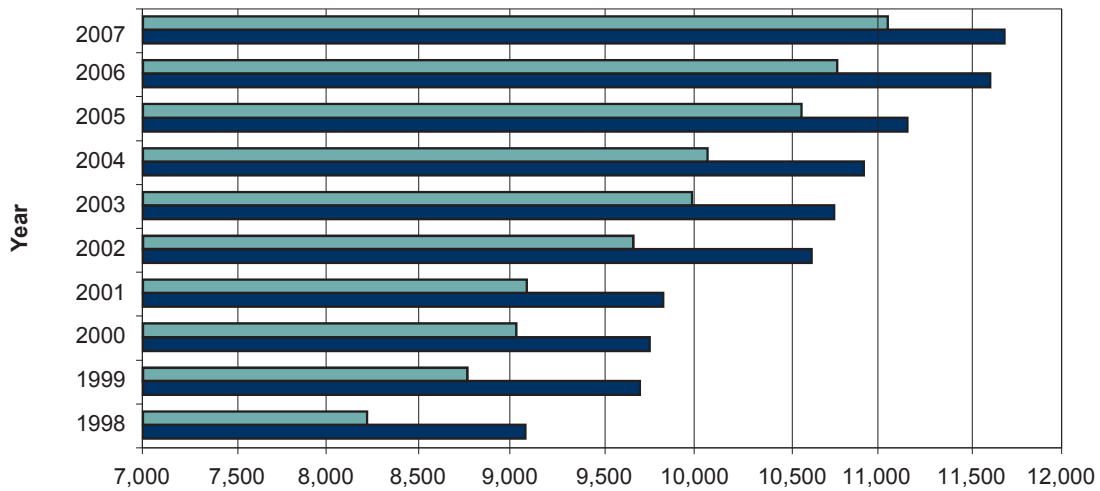
Freshman Fall Enrollment 1997-2006



SAT Scores 1997-2006



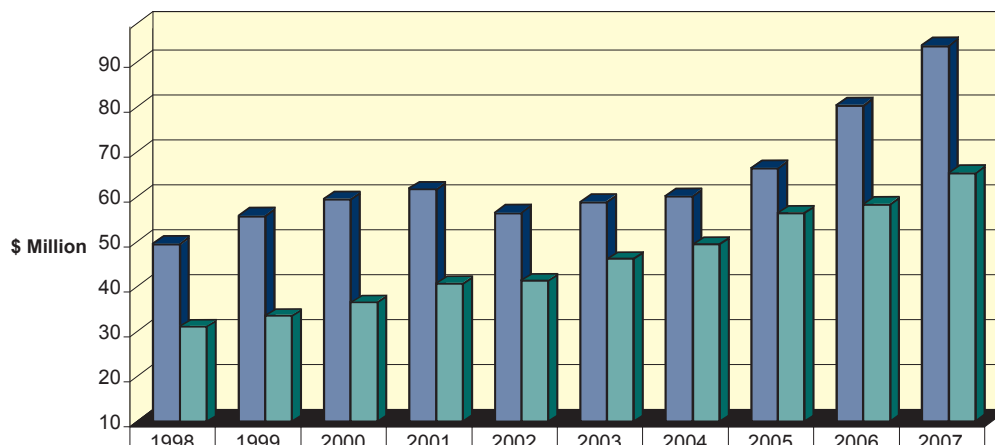
Student Headcount and FTE 1998-2007



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
FTE	8,378	8,857	9,003	9,089	9,778	9,999	10,162	10,590	10,855	11,025
Headcount	9,176	9,643	9,757	9,885	10,599	10,700	10,929	11,327	11,653	11,793

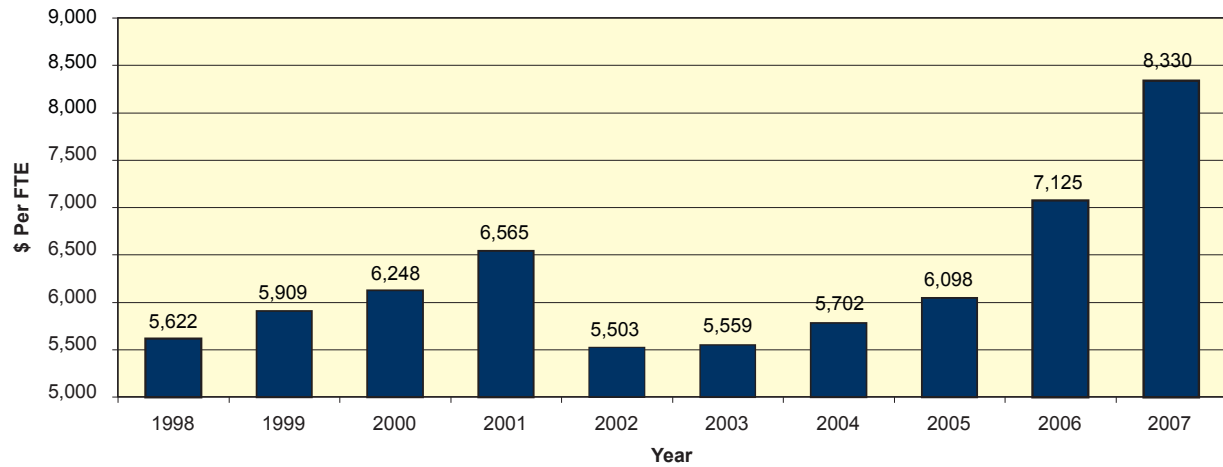
■ Headcount ■ FTE

State Appropriations and Tuition & Fees

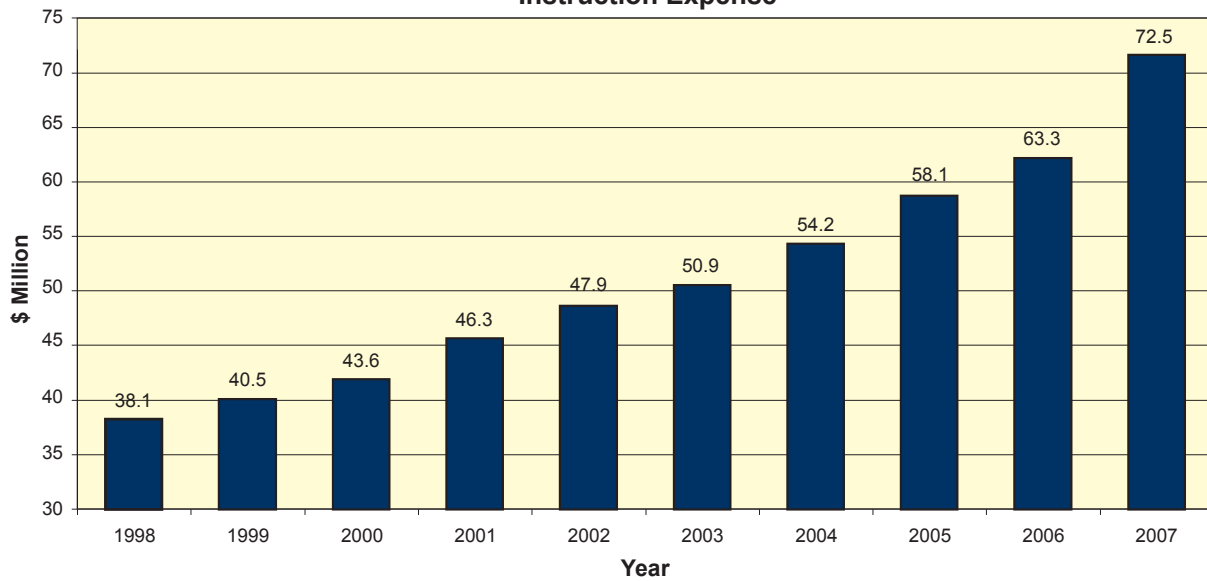


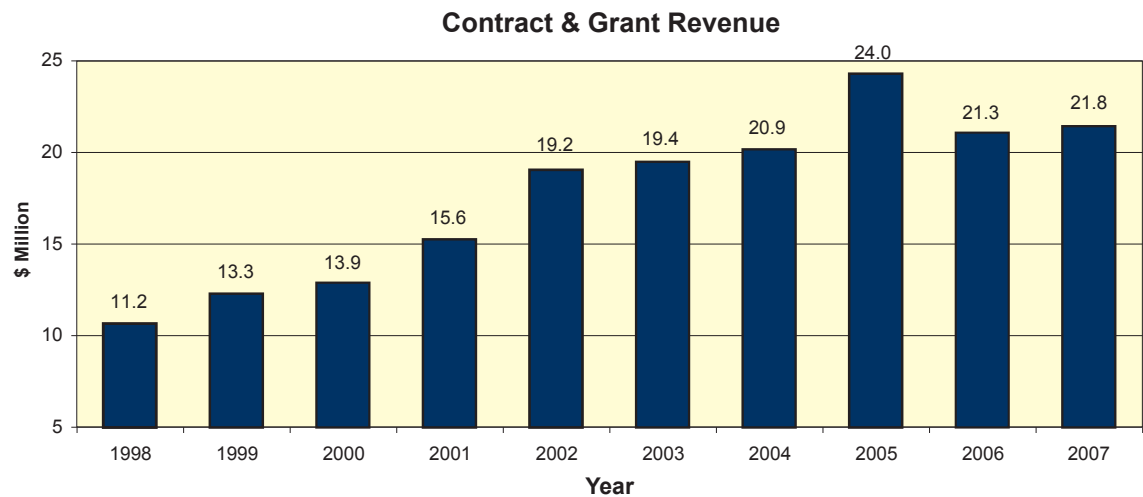
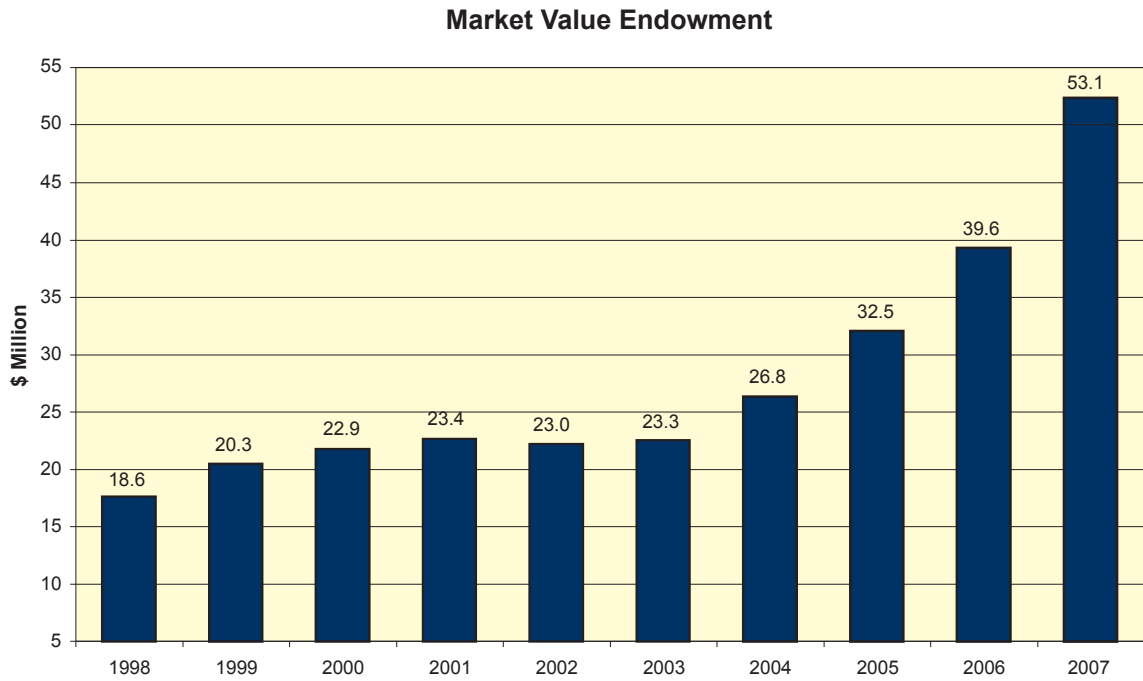
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
State Appropriations	47.1	52.3	56.3	59.7	53.8	55.6	57.9	64.5	77.3	91.8
Tuition & Fees	28.5	31.8	33.9	37.4	38.4	43.3	46.6	53.3	55.3	62.8

State Appropriation Dollars per Student FTE

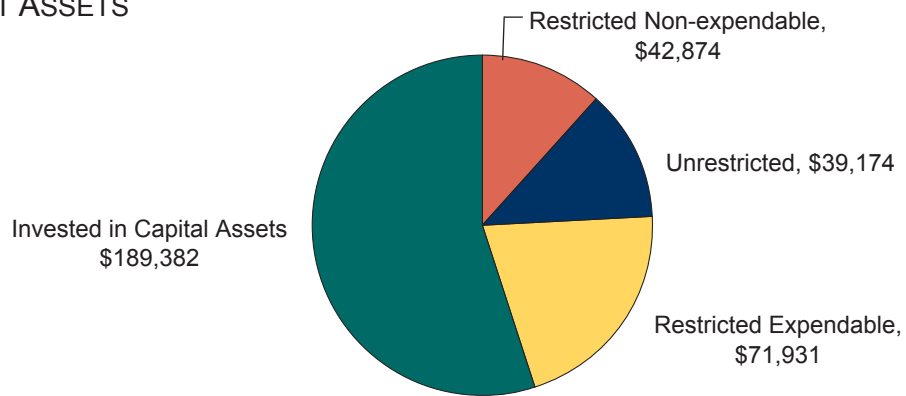


Instruction Expense

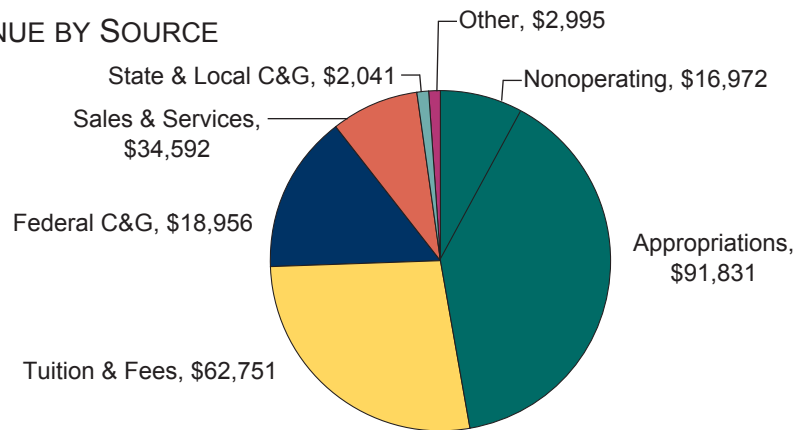




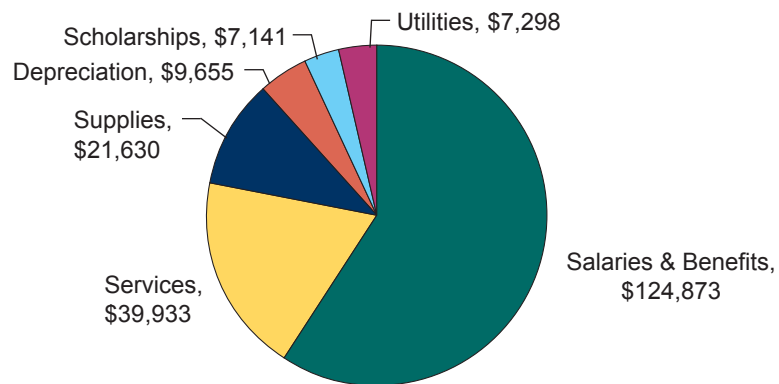
2007 NET ASSETS



2007 REVENUE BY SOURCE



2007 OPERATING EXPENSES BY NATURE



Changes in Net Assets

For Year Ended June 30, 2007

	2002	2003	2004	2005
REVENUES				
Operating Revenues:				
Student Tuition and Fees, Net	28,617,396	43,309,023	46,666,124	53,331,801
Federal Grants and Contracts	16,074,366	16,862,074	18,821,298	20,166,336
State and Local Grants and Contracts	1,680,031	1,485,729	1,545,502	2,409,695
Nongovernmental Grants and Contracts	935,900	1,011,832	540,544	1,533,231
Sales and Services, Net	31,195,848	18,593,634	21,091,762	23,268,560
Interest Earnings on Loans	8,058	19,489	17,528	-
Other Operating Revenues	1,402,396	1,794,786	2,429,143	2,455,531
Total Operating Revenues	79,913,995	83,076,567	91,111,901	103,165,154
EXPENSES				
Operating Expenses:				
Salaries and Benefits	83,758,791	86,724,676	94,957,908	99,827,915
Supplies and Materials	7,875,129	5,072,771	3,376,723	4,088,737
Services	32,180,783	34,698,684	37,465,672	41,732,749
Scholarships and Fellowships	5,041,630	5,490,928	5,598,657	6,807,419
Utilities	4,323,614	4,704,964	5,157,856	5,572,359
Depreciation	4,950,311	5,395,199	5,315,764	5,817,035
Total Operating Expenses	138,130,258	142,087,222	151,872,580	163,846,214
Operating Loss	(58,216,263)	(59,010,655)	(60,760,679)	(60,681,060)
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	53,809,951	55,586,556	57,941,784	64,581,662
Noncapital Grants	515,677	623,099	465,214	524,829
Noncapital Gifts, Net	2,578,880	2,723,601	3,332,782	2,809,651
Investment Income	241,507	2,641,300	6,822,571	5,398,896
Interest and Fees on Debt	(1,485,406)	(2,388,506)	(3,434,013)	(2,914,350)
Gain on Sale of Property and Equipment	(210,532)	(29,944)	157,980	(420,247)
Net Nonoperating Revenues	55,450,077	59,156,106	65,286,318	69,980,441
Income Before Other Items	(2,766,186)	145,451	4,525,639	9,299,381
Capital Appropriations	-	12,377,145	149,100	1,376,700
Capital Grants	3,436,551	-	16,983,040	24,203,117
Capital Gifts, Net	627,231	321,735	1,298,964	425,312
Additions to Endowments	906,084	832,598	1,756,007	1,450,435
Increase (Decrease) in Net Assets	2,203,680	13,676,929	24,712,750	36,754,945

Changes in Net Assets

For Year Ended June 30, 2007

	2006	2007
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net	55,290,336	62,750,863
Federal Grants and Contracts	19,337,544	18,956,521
State and Local Grants and Contracts	1,803,513	2,040,616
Nongovernmental Grants and Contracts	241,060	819,863
Sales and Services, Net	23,565,510	34,592,654
Interest Earnings on Loans	13,918	17,038
Other Operating Revenues	3,400,898	2,158,100
Total Operating Revenues	103,652,779	121,335,655
EXPENSES		
Operating Expenses:		
Salaries and Benefits	110,449,815	124,872,738
Supplies and Materials	16,395,409	21,630,086
Services	33,069,918	39,932,526
Scholarships and Fellowships	6,663,908	7,141,196
Utilities	6,639,617	7,298,372
Depreciation	7,077,205	9,655,488
Total Operating Expenses	180,295,872	210,530,406
Operating Loss	(76,643,093)	(89,194,751)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	77,340,644	91,843,298
Noncapital Grants	155,968	611,858
Noncapital Gifts, Net	3,455,228	2,572,895
Investment Income	7,663,240	10,961,665
Interest and Fees on Debt	(3,120,933)	(3,702,966)
Gain on Sale of Property and Equipment	13,494	2,826,282
Net Nonoperating Revenues	85,507,641	105,113,032
Income Before Other Items	8,864,548	15,918,281
Capital Appropriations	4,297,400	29,971,400
Capital Grants	24,254,895	23,657,324
Capital Gifts, Net	326,500	776,891
Additions to Endowments	2,451,811	3,413,814
Increase (Decrease) in Net Assets	40,195,154	73,737,710

The University of North Carolina Wilmington is committed to and will provide equal educational and employment opportunity for all persons regardless of race, sex, age, color, gender, national origin, ethnicity, creed, religion, disability, sexual orientation, political affiliation, marital status, veteran status or relationship to other university constituents – except where sex, age or ability represent bona fide educational or occupational qualifications or where marital status is a statutorily established eligibility criterion for state-funded employee benefit programs. Questions regarding program access may be directed to the Compliance Officer, UNCW Chancellor's Office, 910.962.3000, Fax 910.962.3483.

